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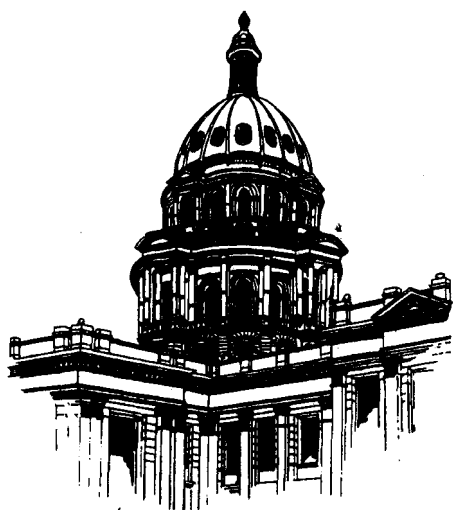
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Study of Commuter Airlines

**Report to the
COLORADO
GENERAL ASSEMBLY**

**Colorado Legislative Council
Research Publication No. 448
December 1998**

RECOMMENDATIONS FOR 1999

**STUDY OF
COMMUTER AIRLINES**

**Report to the
Colorado Legislative Council**

**Research Publication No. 448
December 1998**

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December 1998

To Members of the Sixty-second General Assembly:

Submitted herewith is the final report of the Study of Commuter Airlines. The interim committee was created pursuant to House Joint Resolution 98-1038 to review and discuss the current viability of Colorado's commuter airlines and to make recommendations on improvements in commuter air service in Colorado.

At its meeting on October 15, 1998, the Legislative Council reviewed the report of this committee. A motion to forward this report and the bill therein for consideration in the 1999 session was approved.

Respectfully submitted,

/s/ Representative Chuck Berry
Chairman
Legislative Council

CB/GJ/pw

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STUDY OF COMMUTER AIRLINES

Members of the Committee

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Senator Gigi Dennis
Vice Chairman

Representative Gary McPherson
Representative Carl Miller
Senator Richard Mutzebaugh
Senator Bill Thiebaut

Legislative Council Staff

Geoffrey Johnson
Research Associate

Will Meyer
Senior Fiscal Analyst

Larry Thompson
Principal Analyst II

Office of Legislative Legal Services

Duane Gall
Senior Staff Attorney

EXECUTIVE SUMMARY

Committee Charge

House Joint Resolution 98-1038 appointed a six-member legislative study committee to review and discuss the current viability of Colorado commuter airlines and to make recommendations on improvements in commuter air service in Colorado. The resolution directed the committee to consider commuter airline services provided to the residents of Colorado, the availability, cost, timeliness, and long-term viability of Colorado commuter airline services and air service in the region. The resolution also proposed that the committee meet with: the Colorado Division of Aeronautics; elected officials and state aviation officials from surrounding states; appropriate local, state, and federal agencies; interested public; and airline officials.

Committee Activities

The committee met three times during the 1998 interim and heard testimony from a number of individuals representing: the Federal Aviation Administration (FAA); the Colorado Aeronautical Board; local Colorado airports; the Division of Aeronautics; the Governor's Office; Colorado Ski Country; community air service task forces; airline executives; the National Air Transportation Association; the Colorado General Aviation Council; the Denver Mayor's Office; Denver International Airport; the Kansas House of Representatives; western state aviation directors; the Denver Regional Council of Governments; and the Regional Transportation District.

Some of the topics covered in testimony before the committee were:

- the status of commuter air service around the state;
- regulation of the airline industry;
- the reliability of commuter air service;
- the economic development impact of commuter air service in the state;
- airport funding levels and passenger boarding levels;
- the future of commuter air service in Colorado;
- state programs to provide incentives for passengers to fly on commuter airlines; and
- the East Corridor Major Investment Study for the Denver metropolitan area.

Committee Recommendation

As a result of committee discussion and deliberation, the committee recommends one bill for consideration in the 1999 legislative session.

Bill A — Intrastate Commercial Air Service in Colorado. Bill A directs the Transportation Commission to consult with government officials and the public concerning the adoption of intermodal approaches to addressing the state's transportation needs and to advise the Executive Director of the Department of Transportation on ways to include aviation as part of an integrated statewide transportation system. The bill also dedicates a portion of state sales and use tax revenue attributable to sales or use of vehicles, not to exceed \$3 million per year, for a five year period to the aviation fund.

AUTHORITY AND RESPONSIBILITIES

Pursuant to House Joint Resolution 98-1038, the Study of Commuter Airlines was established to review and discuss the current viability of Colorado commuter airlines and to make recommendations on improvements in commuter air service in Colorado. The committee is composed of six members of the General Assembly (three from the Senate and three from the House).

The resolution directs the committee to:

- make recommendations on improvements in commuter air services in Colorado;
- attempt to meet with representatives from surrounding states to review and discuss commuter airlines operating in Colorado and surrounding states and to make recommendations on improvements in commuter air services in these states;
- discuss and make recommendations regarding the availability, cost, timeliness, and long-term viability of commuter airline services provided to the residents of Colorado, and if appropriate, residents of the surrounding states;
- make recommendations for collective action between Colorado, surrounding states, if appropriate, and the federal government for improving the availability, cost, timeliness, and long-term viability of commuter airline services provided to the residents of Colorado, and if appropriate, residents of the surrounding states; and
- meet with the Colorado Division of Aeronautics; elected officials and state aviation officials from surrounding states; appropriate local, state, and federal agencies; interested public; and airline officials.

COMMITTEE ACTIVITIES

Intrastate Air Service Study

The committee received a briefing on the 1996 Intrastate Air Service Study prepared under the direction of the Legislative Council. The study was undertaken to investigate Colorado's near-term opportunities for improving its scheduled commercial airline service. The study found that the State of Colorado has limited authority to address the adequacy of Colorado's existing commercial air service, but made recommendations regarding facility improvements (runway expansions, terminal construction, parking facilities, and approach instruments), and developing a constructive dialogue with Colorado's airlines including discussion of fare issues.

Status of Colorado Commuter Air Service

The committee received testimony on the status of commuter air service at various airports around the state. Boardings at the Colorado Springs Airport are growing in spite of the loss of Western Pacific Airline's flights. The airports at Eagle and Hayden are among the fastest growing airports in the region, however most of this growth is in seasonal service. Airports at Montrose, Durango and Grand Junction are showing a steady increase in their service levels. The airports at Durango and Grand Junction are receiving service from three major hubs. The Lamar and Cortez airports are dependent upon designations as essential air service (EAS) centers for their air service. Federal funding flows to airports with an EAS designation. The Alamosa airport may be removed from the EAS category. The Pueblo airport has shown a steady decline in enplanements due to its proximity to the Colorado Springs Airport and Denver International Airport. However, it was pointed out that the Pueblo Airport is an important alternative landing site for flights diverted from DIA and Colorado Springs during inclement weather. Aspen continues to pursue increased seasonal activity. Gunnison's airport has been successful at attracting service due to past seasonal promotional activities.

Regarding commuter air service, the following points were made:

- Ground transportation in Colorado is difficult and consequently air transportation is very important.
- Regulation of the airline industry is a heavy burden for small operators.
- Major airlines now take on partners to serve the commuter market.
- The first priority of passengers is reliability of service.

- Infrastructure and navigational aids at the airports are critical for the future of commuter service in the state.
- Service at many smaller Colorado airports is limited by the length of their runways.
- Colorado is in competition with neighboring states for airline services.

Economic Development Impact of Commuter Air Service

The results of a recent study of the economic development impact of commuter air service in Colorado were presented to the committee. The study identified the following impacts:

- The direct impact on the state economy reflecting local expenditures to provide aviation-related services is \$1.2 billion.
- The indirect impact reflecting expenditures by visitors, travel agencies, and Colorado-based military units is \$5.8 billion.
- The multiplier impact reflecting additional jobs and earnings resulting from the direct and indirect impacts from aviation related services is \$7.3 billion.
- The total economic impact of Colorado's 79 public use airports is an annual economic activity of \$14.3 billion and 246,000 jobs, 10.8 percent of all jobs in the state, and 6.7 percent of total state payroll.

Testimony suggested that business opportunities in rural Colorado are reduced without adequate airline connections to Denver.

Colorado Community Efforts to Improve Commuter Air Service

Representatives from a number of Colorado communities commented on their efforts to attract and retain commuter air service. These representatives made the following observations:

- Currently, almost all intrastate air service is operated by United Airlines or a United affiliate and any growth in service levels will come from United Airlines.
- Subsidies and revenue guarantees can be used effectively to initiate service growth.
- The state must address infrastructure improvements and the reliability of service to improve the commuter air system.

- The challenge at some airports is just to maintain their existing facilities without passing additional costs onto airlines.
- The Pueblo airport should be maintained as a diversion site for flights from DIA and Colorado Springs.
- The cost of flights from the Western Slope to DIA is still too high to be feasible for most intrastate travelers.
- Airline passenger traffic near the western and southern state borders is lost to hubs in surrounding states.

Predatory Pricing

Position papers on the topic of predatory pricing by airlines were submitted to the committee. Predatory pricing refers to a company cutting airline ticket prices below costs until it drives out all competitors, then raising prices to monopoly levels. U.S. Department of Transportation guidelines are under development to address such airline anti-trust behavior.

A representative of Frontier Airlines stated that his company has sought recourse for anti-trust behavior by United Airlines and suggested that a monopoly is now making decisions about commuter service in the state. A representative of the national Air Transportation Association responded that deregulation of the airline industry has benefitted consumers and that re-regulation would hurt consumers. It was noted that federal anti-trust laws apply to airlines and that mechanisms to control anti-trust behavior are already in place. He pointed out that the price of airline tickets is now 36 percent lower than they were in 1978, accounting for inflation.

Intrastate Air Service at Centennial Airport

Testimony was provided by airline officials who wish to offer scheduled air service at Centennial Airport and by a representative of the Arapahoe County Public Airport Authority. Airline officials said that Centennial Airport has denied their applications to provide air service. One airline has lost an appeal of this decision to the Colorado Supreme Court. However, the Federal Aviation Administration recently ruled that Centennial Airport must permit scheduled service or lose federal funding for infrastructure improvements.

One airline official suggested that the airport is violating several federal air transportation laws and that the provision of scheduled and non-scheduled air service at Centennial has been contemplated since its inception. He stated that the FAA will not allow the Arapahoe County Airport Authority Board to place limits on the level of scheduled air service that may be provided at Centennial and that there is sufficient demand in Grand Junction for the maintenance of flights to the smaller Denver metro-area airports.

In response, the representative of the Arapahoe County Public Airport Authority said that the Authority has taken the position that regularly scheduled passenger service out of Centennial Airport would be inappropriate. He noted that the FAA ruling could result in the loss of approximately \$1.5 million in discretionary federal grants for construction at the airport. He said that there is a concern in the community that if any scheduled air service is permitted at Centennial Airport, local control of the level of the service will be lost. He added that noise levels at the airport are of concern to those in nearby communities.

Denver International Airport Update

A representative of the Denver Mayor's Office updated the committee on Denver International Airport. The committee heard that the number of passengers at DIA rose to 17 million in 1998 and that the cost of operating the airport per enplaned passenger is below original forecasts. The representative stated that DIA is developing a business plan and will share this plan with the General Assembly upon completion. Committee members were invited to participate in the working group drafting the DIA business plan.

Airline Representatives Perspectives on Commuter Air Service

Representatives of several airlines commented on current and future commuter air service in Colorado. A representative of United Airlines said that his company has been established in Colorado since 1948, and noted that Denver has the fourth best air service in the country although it is only the thirteenth largest city in the country. Following the departure of Mesa Airlines, United contracted with Air Wisconsin and Great Lakes Airlines to provide this commuter air service. United Airlines has daily commuter flights to 57 destinations and expects growth in commuter operations, adding service to a number of cities as planes become available.

Airline officials said that fuel taxes and the sales and use tax on airline parts used in Denver are burdensome to the industry and discourage the maintenance of aircraft at DIA. They noted that airport costs for the airlines increased dramatically with the opening of DIA. The committee heard that airport design at DIA does not facilitate intrastate air service and that rules at the airport could be adjusted to encourage intrastate service. Baggage and landing fees at DIA should be set to encourage commuter traffic.

East Corridor Major Investment Study

The committee was briefed on the East Corridor Major Investment Study which examines the feasibility of a commuter rail line from Union Station to DIA and highway improvements in this corridor. This project would require 23 miles of rail. The commuter rail line element would cost approximately \$315 million and include five stations. Highway

improvements would cost \$40 million. Federal funding would be sought for the projects. Estimated ridership on the line is 13,000 riders per day.

Other Issues Considered

The committee also received testimony from aviation directors from surrounding states regarding: state programs to provide incentives for passengers to fly on commuter airlines; state legislation to assist localities in meeting matching requirements for the federal Essential Air Service Program; federal initiatives addressing commuter air service; and state attempts to provide state subsidies for commuter air service.

SUMMARY OF RECOMMENDATIONS

As a result of the committees activities, the following bill is recommended to the Colorado General Assembly.

Bill A — Intrastate Commercial Air Service in Colorado

Bill A declares the importance of intrastate commercial air transportation to the economic well-being of Colorado's rural communities. The bill directs the Transportation Commission to consult with government officials and the public concerning the adoption of intermodal approaches to addressing the state's transportation needs and to advise the Executive Director of the Department of Transportation on ways to include aviation as part of an integrated statewide transportation system. Bill A would also transfer, from the sales and use tax revenues on motor vehicles that are allocated and credited to the Highway Users Tax Fund (HUTF), to the Aviation Cash Fund, an amount not to exceed \$3,000,000 per year for the next five years.

Under the provisions of Senate Bill 97-1, beginning July 1, 1997, 10 percent of sales and use tax revenues on motor vehicles is allocated and credited to the HUTF. This bill would credit \$3,000,000 to the Aviation Cash Fund with the remaining net revenue to the Highway Users Tax Fund. Revenues from Senate Bill 97-1 are forecasted to increase from a total of \$175,474,000 in FY 1999-00 to \$216,454,000 in FY 2003-04.

Bill A specifies that the transferred revenue is to be used only for safety improvements at qualified airports or remote weather stations in outlying areas. The revenue is not to be used for the purchase of navigational aids, extension of runways, or other purposes not directly related to safety, passenger security, or improved reporting of hazardous weather conditions.

MATERIALS AVAILABLE

The materials listed below are available upon request from the Legislative Council staff.

| Meeting Summaries | Topics Discussed |
|--------------------------|--|
| September 2, 1998 | 1996 Intrastate Air Service Study Commuter Air Service in the Northwest Mountain Region Economic Development Impact of Commuter Air Service Community Efforts to Attract Air Service and Commuter Air Service Needs Proposed U.S. DOT Rules Regarding Predatory Practices Airport Infrastructure and Navigational Equipment Intrastate Charter Air Service |
| September 3, 1998 | Denver International Airport Air Service Enplanement Statistics Future Commuter Air Service in Colorado Surrounding State Commuter Air Service Four Corners Airport Regionalization East Corridor Major Investment Study Committee Requests for Draft Legislation |
| September 16, 1998 | Centennial Airport Authority Board Centennial Express Airlines Jansco, Incorporated Committee Discussion of Proposed Legislation |

Reports Provided to the Committee:

- *Intrastate Air Service Study*, Legislative Council of the Colorado General Assembly, December 1996, (Research Publication #447).
- *Airline Activity in the Northwest Mountain Region*, Alan Wiechmann, Federal Aviation Administration September, 1998.
- *Airline Activity and Your Airport*, Alan Wiechmann, Federal Aviation Administration April, 1998.

- *The Economic Impacts of Colorado Airports*, Colorado Division of Aeronautics, 1998.
- *Chronology of Colorado Ski Country Airline Failures*, Bill Tomcich, 1998.
- *Transportation's Airline Re-regulation Folly*, Americans for Tax Reform, June 1998.
- *Denver International Airport Update*, Stephanie Foote, Denver Mayor's Office, September 3, 1998.
- *Colorado Aviation Fund Estimates, Aviation Tax Reimbursements, Discretionary Grant Awards, Commercial Service Airport Infrastructure Needs*, Colorado Division of Aeronautics, September 3, 1998.
- *East Corridor Major Investment Study*, George Scheurnstuhl, Denver Regional Council of Governments, September 3, 1998.
- *Colorado Airports FAA 5-Year Capital Improvement Funding*, Colorado Division of Aeronautics, September 3, 1998.

Bill A

By Representative Smith;
also Senator Dennis

A BILL FOR AN ACT CONCERNING INTRASTATE COMMERCIAL AIR SERVICE IN COLORADO, AND MAKING AN APPROPRIATION THEREFOR.

Bill Summary

"Fund Airport Safety Improvements"

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Commuter Air Service Interim Study Committee. Declares the importance of intrastate commercial air transportation to the economic well-being of Colorado's rural communities, especially in view of the extreme road travel conditions prevalent in the state and the seasonal nature of the ski and tourism industries.

Directs the transportation commission (commission) to confer and consult with federal, state, and local officials and members of the public concerning the adoption of intermodal approaches to addressing the state's transportation needs and to advise the executive director of the department of transportation on ways to include aviation as part of the integrated statewide transportation system propounded by the executive director pursuant to existing statutes.

Dedicates a portion of state sales and use tax revenue attributable to sales or use of vehicles and related items, not to exceed \$3 million per year, for a 5-year period to the aviation fund. Specifies that such revenue is to be used only for safety improvements or remote weather stations and not for the purchase of navigational aids, extension of runways, or other purposes not directly related to safety, passenger security, or improved reporting of hazardous weather conditions.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Legislative declaration. (1) The general assembly hereby finds, determines, and declares that:

(a) The health, safety, and welfare of the people of the state are dependent upon the continued existence and expansion of intrastate commercial air service in the state;

(b) There are many unique factors that necessitate intrastate commercial air service in Colorado, such as the seasonal demand for air service and the significant distances and extreme road travel conditions from the state's outlying areas to major airports such as Denver international airport and Colorado Springs;

(c) The availability of intrastate commercial air service is crucial to the economic livelihood of the state's outlying communities;

(d) Safety improvements at existing rural airports would enhance the available infrastructure and increase the reliability of the intrastate air transportation system; and

(e) Aviation, including intrastate commercial air service, should be included as part of an integrated statewide transportation system.

SECTION 2. 43-1-106 (8) (a), Colorado Revised Statutes, is amended to read:

43-1-106. Transportation commission - powers and duties. (8) In addition to all other powers and duties imposed upon it by law, the commission has the following powers and duties:

(a) To formulate the general policy with respect to the management, construction, and maintenance of public highways and other transportation systems in the state and, in that capacity:

(I) To receive delegations, including county commissioners, ~~and~~ municipal officials, STATE AND LOCAL OFFICIALS FROM OTHER STATES, AND FEDERAL OFFICIALS interested therein;

(II) TO ADVISE THE EXECUTIVE DIRECTOR ON WAYS TO INCLUDE AVIATION AS PART OF THE INTEGRATED STATEWIDE TRANSPORTATION SYSTEM PROPOUNDED BY THE EXECUTIVE DIRECTOR PURSUANT TO SECTION 43-1-105;

SECTION 3. 39-26-123 (2) (a) (I) (A), Colorado Revised Statutes, is amended to read:

39-26-123. Receipts - disposition - repeal.

(2) (a) (I) (A) Eighty-five percent of all receipts collected under the provisions of this article shall be credited to the old age pension fund. For the fiscal year commencing July 1, 1997, and for ten succeeding fiscal years thereafter, the remaining fifteen percent shall be allocated ~~between~~ AMONG and credited to the general fund, ~~and~~ the highway users tax fund, AND THE AVIATION FUND, as a portion of the sales and use taxes attributable to sales or use of vehicles and related items, as follows: Ten percent of net revenue from sales and use tax to the highway users tax fund and five percent thereof to the general fund; EXCEPT THAT, FOR THE FISCAL YEARS BEGINNING ON AND AFTER JULY 1, 1999, AND BEFORE JULY 1, 2004, TEN PERCENT OF NET REVENUE FROM SALES AND USE TAX TO THE AVIATION FUND CREATED IN SECTION 43-10-109, C.R.S., NOT TO EXCEED THREE MILLION DOLLARS, WITH THE REMAINING TEN PERCENT OF NET REVENUE IN EXCESS OF THREE MILLION DOLLARS TO THE HIGHWAY USERS TAX FUND, AND FIVE PERCENT THEREOF TO THE GENERAL FUND. IF THE TEN PERCENT OF NET REVENUE FROM SALES AND USE TAX TO BE CREDITED TO THE AVIATION FUND PURSUANT TO THIS SUB-SUBPARAGRAPH (A) FOR THE FISCAL

YEARS BEGINNING ON AND AFTER JULY 1, 1999, AND BEFORE JULY 1, 2004, IS LESS THAN SIX MILLION DOLLARS IN A FISCAL YEAR, THE TEN PERCENT OF NET REVENUE SHALL BE CREDITED TO THE AVIATION FUND AND HIGHWAY USERS TAX FUND IN EQUAL AMOUNTS.

SECTION 4. 43-10-109 (2) (a), Colorado Revised Statutes, is amended to read:

43-10-109. Aviation fund created. (2) (a) (I) In accordance with section 18 of article X of the Colorado constitution, for the 1991-92 fiscal year, and each fiscal year thereafter, one hundred percent of the sales and use taxes collected during that fiscal year by the state pursuant to sections 39-26-104 and 39-26-202, C.R.S., on aviation fuels used in turbo-propeller or jet engine aircraft shall be credited to the aviation fund.

(II) FOR THE 1999-2000 FISCAL YEAR AND EACH FISCAL YEAR THEREAFTER, TO AND INCLUDING THE 2003-04 FISCAL YEAR, A PORTION OF THE SALES AND USE TAXES ATTRIBUTABLE TO THE SALES OR USE OF VEHICLES AND RELATED ITEMS SHALL BE CREDITED TO THE AVIATION FUND WITH THE AMOUNT DETERMINED PURSUANT TO SECTION 39-26-123 (2) (a) (I) (A), C.R.S.

SECTION 5. 43-10-110 (1), Colorado Revised Statutes, is amended, and the said 43-10-110 is further amended BY THE ADDITION OF A NEW SUBSECTION, to read:

43-10-110. Revenues in aviation fund - disbursements - definitions.

(1) (a) In accordance with section 18 of article X of the Colorado constitution, moneys ~~in~~ CREDITED TO the fund PURSUANT TO SECTION 43-10-109 (2) (a) (I) shall be used exclusively for aviation purposes.

(b) MONEYS CREDITED TO THE FUND PURSUANT TO SECTION 43-10-109 (2) (a) (II) SHALL BE USED EXCLUSIVELY FOR SAFETY IMPROVEMENTS AND SECURITY MEASURES AT QUALIFIED AIRPORTS IN OUTLYING AREAS AND FOR CONSTRUCTION AND OPERATION OF REMOTE WEATHER STATIONS THROUGHOUT THE STATE. SUCH MONEYS SHALL NOT BE USED FOR THE PURCHASE OF NAVIGATIONAL AIDS, EXTENSION OF RUNWAYS, OR OTHER PURPOSES NOT DIRECTLY RELATED TO SAFETY, SECURITY, OR IMPROVED REPORTING OF HAZARDOUS WEATHER CONDITIONS.

(1.5) FOR PURPOSES OF THIS SECTION:

(a) "OUTLYING AREA" MEANS AN AREA OTHER THAN DENVER OR COLORADO SPRINGS.

(b) "QUALIFIED AIRPORT" MEANS THE FOLLOWING: ASPEN-PITKIN COUNTY AIRPORT; CORTEZ-MONTEZUMA COUNTY AIRPORT; DURANGO-LA PLATA COUNTY AIRPORT; EAGLE COUNTY REGIONAL AIRPORT; FORT COLLINS-LOVELAND MUNICIPAL AIRPORT; GUNNISON COUNTY AIRPORT; LAMAR MUNICIPAL AIRPORT; MONTROSE REGIONAL AIRPORT; PUEBLO MEMORIAL AIRPORT; SAN LUIS VALLEY REGIONAL AIRPORT; STEAMBOAT SPRINGS MUNICIPAL AIRPORT; TELLURIDE REGIONAL AIRPORT; WALKER FIELD AIRPORT; YAMPA VALLEY AIRPORT; AND ANY OTHER AIRPORT LOCATED IN AN OUTLYING AREA OF THE STATE THAT THE BOARD DETERMINES TO BE QUALIFIED FOR PURPOSES OF THIS SECTION.

SECTION 6. Appropriation. In addition to any other appropriation, there is hereby appropriated, out of any moneys in the aviation fund created pursuant to section 43-10-109, Colorado Revised Statutes, to the department of transportation for allocation to the division of aeronautics, for the fiscal year

beginning July 1, 1999, the sum of three million dollars (\$3,000,000), or so much thereof as may be necessary, for use by the division in accordance with section 43-10-110 (1) (b), Colorado Revised Statutes.

SECTION 7. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Colorado Legislative Council Staff

**STATE and LOCAL
FISCAL IMPACT**

State Cash Fund Revenue and Expenditure Impact

Local Revenue and Expenditure Impact

Drafting Number: LLS 99-0093

Prime Sponsor(s): Rep. Smith

Date: October 26, 1998

Bill Status: Commuter Air Service
Interim Study Committee

Fiscal Analyst: Will Meyer (303-866-4976)

TITLE: CONCERNING INTRASTATE COMMERCIAL AIR SERVICE IN COLORADO, AND MAKING AN APPROPRIATION THEREFOR.

| Fiscal Impact Summary | FY 1999/2000* | FY 2000/2001* |
|--|----------------------|----------------------|
| State Revenues Cash Fund | | |
| State Expenditures Cash Fund | | |
| FTE Position Change | 0.0 FTE | 0.0 FTE |
| Other State Impact: None identified | | |
| Effective Date: Upon signature of the Governor | | |
| Appropriation Summary for FY 1999-2000 \$3,000,000 transfer from the HUTF to the Aviation Cash Fund | | |
| Local Government Impact: Potential increase in expenditures and revenues. | | |

* \$3.0 million of SB 97-1 HUTF money would be transferred to the Aviation Cash Fund.

Summary of Legislation

The provisions of this bill would direct the Transportation Commission (commission) to advise the Executive Director of the Department of Transportation on ways to include aviation as part of the integrated statewide transportation system as authorized by C.R.S. 43-1-105 (a) and (b). The bill would broaden the commission's authority to specifically authorize them to confer and consult with state and local officials from other states, as well as federal officials, in advising the director.

The bill also would transfer, from the sales and use tax revenues on motor vehicles that are allocated and credited to the Highway Users Tax Fund (HUTF), an amount not to exceed \$3,000,000

Bill A

per year for the next five years (FY 1999/00-2003/04) to the Aviation Cash Fund. The bill would require that such moneys be used exclusively for safety improvements and security measures at qualified airports in outlying areas and for construction and operation of remote weather stations throughout the state.

State Revenues

Under the provisions of Senate Bill 97-1, beginning July 1, 1997, 10 percent of sales and use tax revenues on motor vehicles is allocated and credited to the HUTF. Under the provisions of this bill, \$3,000,000 would be credited to the Aviation Cash Fund with the remaining net revenue to the Highway Users Tax Fund. According to the Legislative Council's forecast of Transportation Funds, dated September 1998, it is forecasted that Senate Bill 97-1 revenues will increase from a total of \$175,474,000 in FY 1999/00 to \$216,454,000 in FY 2003/04.

State Expenditures

The provisions of the bill that would require the commission to advise the director on ways to include aviation as part of the integrated statewide transportation system and the division to administer the increased available funds would impact the workload of the Department of Transportation. However, this increase would not have a significant impact on the workload of the department and could be implemented by the within their current appropriation.

Local Government Impact

The impact to local governments, if any, would be conditional on their decision to submit a grant proposal to the state. The amount of such impact cannot be accurately estimated at this time.

State Appropriations

The bill contains an appropriation clause that would appropriate to the Department of Transportation, Division of Aeronautics, the amount of \$3,000,000 in FY 1999/00.

Departments Contacted

Revenue Transportation